

# Town of Frederick Board of Trustees



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AM 2009-099

## MOU with Weld County on Vehicle Tax Collections

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**Agenda Date:** Town Board Meeting - October 13, 2009

**Attachments:**

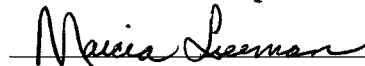
- a. MOU – Collection of Sales and/or Use Tax by Weld County Clerk and Recorder
- b. Resolution – Approving MOU

**Fiscal Note:** None noted or provided Fiscal note



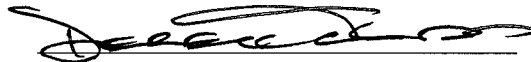
Finance Director

**Submitted by:**



Staff Title

**Approved for Presentation:**



Town Administrator

**AV Use Anticipated**

Projector \_\_\_\_\_ Laptop \_\_\_\_\_

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**Certification of Board Approval:**

\_\_\_\_\_  
Town Clerk

\_\_\_\_\_  
Date

**Summary Statement:**

Weld County has provided to the Town an updated MOU authorizing the County Clerk/Recorder to collect sales and use taxes on the sale of motor vehicles occurring in the Town of Frederick at the time a purchaser registers the vehicle, rather than the purchaser paying the tax directly to the Town and taking a receipt of taxes paid to a dealer or the County offices at the time of registration.

**Detail of Issue/Request:**

The Town has adopted a sales tax rate of 2.5% and a use tax rate of 2.5% that are applied in addition to state sales tax to the sale of motor vehicles occurring within the Town's boundaries. The County has

collected local motor vehicle sales and use tax on behalf of the Town for several years under a prior agreement. Local car dealers currently collect state sales taxes on transactions occurring at their businesses, but private party purchasers pay the state and local taxes at the County office. Dealers will often calculate for purchasers the amount of local sales and use taxes, which the purchasers either use to prepare a check for the County, or if a dealership is financing the purchase, it will add the local tax amount to the loan and issue a check to the County for the taxes. The County charges a 5% service fee for receiving local taxes and remits the remainder to the Town around the 15<sup>th</sup> of each month.

There is a small possibility the Town does not currently receive all of its local taxes. The County Motor Vehicle Division relies on a semi-automated GIS system to verify the location of license addresses. To the extent a purchaser seeks to license a vehicle during a period when an annexation has been approved but not yet recorded, or before the County GIS system has been updated, it is possible the local taxes are misapplied by the County. The County does not rely on zip codes alone however; they are aware that there are multiple zip codes within/overlapping the Town's boundaries.

### **Legal/Political Considerations:**

Even if the Town desires to continue its local motor vehicle tax collection relationship with the County, the recent MOU from the County does not appear to be ready for execution. There currently is no effective date or expiration date in the Agreement; should the Town want to prepare for collection of its own sales/use taxes, these dates will be important. The Town may also want a clause allowing for unilateral termination, which is also not currently an option in the MOU. It does not appear that the MOU with the County runs contrary to the provisions of the proposed Home Rule Charter, Sec. 11.1.

### **Alternatives/Options:**

Though no other municipality in Weld County currently collects its own taxes in these transactions, Frederick could collect them. The purchaser would then have to come to the Town, pay the taxes, and bring proof of payment back to the dealership before a dealer-sale could occur, or provide the same proof to the County for a private-party sale before a vehicle can be registered. This slows down the process significantly and could result in lost sales for local dealerships, as well as additional steps for private party purchasers. Residents who purchase vehicles from dealers outside of the Town would need to get the local tax receipt prior to completion of the purchase at the remote location, which would result in even greater delay and additional shuttling for a purchaser. Though the Town may want to explore this option for later, it does not currently have sufficient resources to receive and timely process collection of sales and use taxes in these types of transactions, and even if it did, the Town would not be able to collect state sales tax, so that piece would still be collected by dealers or the County.

### **Financial Considerations:**

Continuing with the current arrangement with the County does not represent a significant change in the revenues coming to the Town in these transactions, though collection of taxes by the Town itself would require additional staff and man-hours to account for such payments.

### **Staff Recommendation:**

Staff recommends signing an MOU with Weld County Clerk & Recorder/Motor Vehicle Division once the terms can be finalized, so that the County can continue collecting motor vehicle sales and use tax for the Town of Frederick.